

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, April 24, 2018
1:00pm

CALL TO ORDER: President Knowles called the meeting to order at 1:00pm as advertised.

PRESENT: Randy L. Knowles- President, Dan G. Gunkel-Vice President, and Douglas B. Miller-Secretary.

STAFF PRESENT: Jim Smith- General Manager, Gwyn Miller-Director of HR & Business Services, Mike DeMott- Power Manager, Ron Schultz-Chief Engineer, Mark Pritchard- Operations Manager, Jeff Thayer- Purchasing Manager, Cynthia Bruce-Accounting Clerk, Kevin Ricks- Generation Assets Manager, and Luann Mata-Executive Assistant.

High Density Load Presentation - Ron Schultz presented his high density connection requests presentation.

There have been five customers who have submitted requests and some of these have requested interconnection at multiple locations. When we receive an inquiry, our process is to take their general information and place them in a temporary queue. If the requester submits the application and the required down payment within 15 days of the original request, they are moved from a temporary queue position to a permanent queue position. If the application or payment is not received, the customer is removed from the temporary queue position and will need to reapply. Once moved to a permanent position evaluations begin.

The process of evaluation is to study line capacity and system capacity. We also point out that even if we have capacity available at some of our locations, BPA must evaluate their line capacities available, as they may not be able to meet the demand, even if our equipment can. Applicants enter the BPA queue in the order in which information is received from KPUD.

We are hesitant to move forward without substantial customer commitment as these requests put extra work load on BPA staff as well as our own. BPA's process is to hold a kick-off meeting upon receiving the request from the utility and then complete a preliminary review within 90 days. BPA may request additional studies depending on their preliminary findings. BPA's process is first come first serve. There is no way to facilitate this process and KPUD, nor the customer, can hire external consultants to provide an independent review. This part of the process can lead to customer frustrations.

After reviewing the preliminary system studies completed by engineering and BPA, Ron Schultz concluded that we can supply the previously approved 3 MW application and 10 MW of the 20 MW application in the Spearfish substation. The other distribution and small substation requests cannot be met. The 400 MW application at BPA's Harvalum substation has no KPUD system restrictions and staff can support the work required as most work is directly with BPA. However, given our current workloads and the applications work already underway, the remaining 34.5 kV and 230 kV interconnection requests will be delayed for 12 months with staff reviewing our ability to process them at that time. If those customers wish to withdraw their applications the District will refund the total interconnection application amounts.

Jim Smith stated that the 2 projects in Spearfish represent a 25% increase in KPUD average load. He also discussed engineering work loads, staffing levels and the priority of completing system improvement work that supports the electric system reliability. While not large projects by electric industry standards, they have a

significant impact on the District. He mentioned that Chelan PUD, who has been bombarded with these types of projects and has placed a moratorium on them due to work load related issues, currently has projects that amount to about 5% of their retail load. Jim concurred with Ron's findings. After further discussion, the Board supported staff recommendations and asked for staff to communicate with the applicants as soon as possible. In addition, Staff will be completing a policy review and that will be brought back at a later meeting for the board to review.

GUESTS: Larry Bakken and Johnathan Lewis.

PLEDGE: The Pledge of Allegiance was recited by those present.

MINUTES: **MOTION** was made by Commissioner Miller to approve the April 10, 2018 meeting minutes as amended. Motion carried.

CLAIMS & PAYROLL: Presented by Cynthia Bruce. Vouchers were audited and certified by the auditing officer as required by RCW 42.24.080, and all expense reimbursement claims presented were certified as required by RCW 42.24.090 and were recorded on a listing made available to the Board this 24th day of April, 2018. **MOTION** was made by Commissioner Gunkel to approve accounts payable vouchers and payroll in the amounts as listed:

- Accounts Payable Voucher numbers 112526 through 112667 in the total amount of \$1,081,094.91 and Wires, ACH and EFT numbers 8800926 through 8800934 in the total amount of \$1,360,625.12 for the period ending April 24, 2018; and
- Payroll Warrant number 43361 and ACH Direct Deposit Payroll transactions 9919433 through 9919511 in the total amount of \$191,229.77 for the payroll period ending April 15, 2018.

Motion carried.

PUBLIC COMMENTS:

Klickitat Valley Health (KVH) / Community Solar - Johnathan Lewis made a presentation and asked the Board to consider a Community Solar installation in Goldendale, in conjunction with upgrade work on the backup generation systems that he is considering at KVH. Johnathan participated in a project in Africa, in which they powered a hospital facility with solar power and he is using that as a model. The current KHUD Net Metering policy does not include community solar or commercial applications at this time, but perhaps we could consider looking at community solar if done in conjunction with a local public entity that provided local community benefits. A key driver here is that in order to qualify for the current tax incentive rate, an application would need to be made by June 30, 2018. Jim Smith stated this is a very aggressive timeline. Jonathan stated he believed that a simple application with a one-line diagram is all that is required and the application would be non-binding. The program funds are limited for community solar, and he is concerned that if we miss this dead line, funds may no longer be available next year. In addition, applications received after June 30 of this year would only be eligible for a 14 cent per kWh rate, not 16 cents per kWh.

After discussion, Commissioner Knowles stated that he would be interested in entering into a memorandum of understanding (MOU), without any financial commitment, if Mr. Lewis would research the areas of interest and return with some additional information. Commissioner Knowles directed staff to also look into application requirements with Jonathan, draft an MOU, and bring it to the May 8th meeting for commissioner review.

AGENDA ITEMS:-

- A. RESOLUTION NO. 1758 APPROVAL- Authorizing Issuance and Rescinding of Business Credit Cards: **MOTION** was made by Commissioner Gunkel to approve Resolution 1758 as presented. Motion Carried.

REPORTS:

Engineering – Ron Schultz presented the Engineering report for March. The Bingen substation work is complete, although some wiring is still outstanding. Our Long Range Plan study work is completed, but we are now scheduling reviews with the crews and staking engineers prior to finalizing. We are currently focusing on White Salmon, Bingen and Snowden reliability. We have scheduled a walk-through of the Renewable Natural Gas (RNG) project with Washington Labor and Industries (L&I) to complete a plan review tomorrow. Project major equipment purchases are almost complete. The Sixprong and Sonova projects are on schedule. The transmission bid will be sent out around the first of June, the switchyard will follow. Linden design is done and is ready to bid. We are looking at completing the connections during the WECC testing outage in late July or early August. Metershop is keeping up even though they are one person short at this time. Ron stated that he has committed the metershop time to assist with the control wiring and design, relay work and installing relay panels. They will also assist with installation of the Schweitzer control and alignment of switchgear. By participating in the installation they will have a good understanding of how the system works for future reference and maintenance. Ron also asked that the metershop be included in the staff training with the LFG operators.

Commissioner Miller asked if the Condit line purchase was still ongoing. Ron stated that there are BPA upgrades occurring on the Oregon side of the Columbia River, which PacifiCorp is evaluating. It appears to us like none of those upgrades affect the line we have requested to purchase. Ron is contacting Laura Raypush, with PacifiCorp, again to see if we can move forward now that BPA has their plan in place for the Tucker Road project.

Report was accepted as presented.

Operations – Mark Pritchard presented the Operations report for March. There were two major outages in March. One was a BPA planned outage in Goldendale and the other was a downed line in Trout Lake. Crews have been working on the transmission line around the Sonova Switching station to prepare for cutting the station into that line. They have also been completing customer work, district maintenance, and vegetation management. The tree crew has cleaned up their priority list of items and have now returned to the Satus feed for the next few months. There were 64 problem trees removed this month. Western Pacific Timber is working near Jenkins Creek and they are providing us with a wider right of way as we have requested. Asplundh started on the Gilmer 2018 contract. Flat top still needs to be completed from the 2017 contract. They will complete the flat top portion once the roads are cleared. May 12th is the 2018 Safety Banquet. Commissioner Knowles reported that there is a broken riser on the north end of Bristol Road. Report was accepted as presented.

Water – Brandon Walters reported that radio read meter installations are complete in Roosevelt and Rimrock. Wishram and Lyle are the only two systems not completed. Department of Health (DOH) issued their approval for the Wishram well and we will begin using the new well on Thursday. We received an update from Aspect consulting on the Klickitat Well #2 water situation. Aspect tested Well #2 and found holes in the column pipe. They also completed some pumping tests and found iron bacteria, but after cleaning, we are better than we thought. The report is not yet finalized and we will incorporate that information into our planning. We will be installing VFD's for Well #2 and equipment for alarms. Commissioner Miller asked if staff is continuing to look at water supply alternatives for Klickitat. Brandon stated that we are starting to look at surface alternatives, but we will budget for studies

next year. We have heard that the community does not want water rations placed on the School's ballfield, and the capacity appears to be ok for now. We are looking at the raw water rate for the school ballfield and will discuss this at the community meeting this week if there are changes. We may need to add language that the ball field water service could be interrupted if need arises. Lyle well drilling bids open Thursday and given what we have seen in the last several well drilling bids, we are expecting to have budget issues.

Report was accepted as presented.

Financials – Beth Schroeder presented the financial reports for February and March. We have moved cliffs water system revenues to its own line item as part of the electric system. As it is a significant amount, we wanted to ensure it was clearly identified so it does not mask other changes in our financials. Commissioner Gunkel noted there is normally a direct correlation between increase in power expense and an increase in retail revenues and that is not the case here. Mike explained that there are lags in time between retail usage and billing, as well as in our BPA bills. In this case, they are not lining up this month as we would normally expect. The LFG electric revenue forecast has been updated as we will be shutting down a month earlier than expected. We will adjust the purchased power expense to include potential Cost Recover Adjustment Clause (CRAC) and Spill surcharges to the forecast. Commissioner Gunkel asked that staff pull the December anticipated payment from the Goodnoe Station project from the forecast statements as the 2017 payment was booked in 2018 and the payment is not yet a given. Operation and Maintenance (O&M) costs were significantly under budget, as was tree trimming, but Mark noted that the trimming variance is a timing issue. Interest was above budget again this month. Currently days cash on hand is 174 days.

Report was accepted as presented.

HR First Quarter Report – Gwyn Miller reported that we have seen a marked increase in claims during the first quarter of 2018. Analysis shows there are higher claims on the retiree portion of the coverage than on the employee portion. There are approximately 45 retiree's on our program. Costs shift between categories through time, but we have some further analysis to do. A few suggestions were a modification to our prescription plans or consider higher co-pays. Last quarter this was not an issue, we assume that this is due to generics not being available. It is something we need to dive into. We also need to reinvigorate our Wellness program. We'd like to have it be incentive based not punitive. As one initiative we may want to target this year is preventative care. We can encourage employees to use the mail-order plan and invite them to the Health Fair screening dates. Commissioners would like staff to come back at the next board meeting with information regarding prescription options. Gwyn will bring back more details next meeting. There have been four Workers comp claims this year three in Water/Wastewater. Those three were all lifting incidents. One was a tick bite accident, Mark was very responsive at the last safety meeting and the program included discussions on bites, stings, and heat stress. Report was accepted as presented.

COMMISSIONER DAN GUNKEL – Commissioner Gunkel stated that he will be traveling to Pasco for the Energy Northwest board meeting to participate in the election of board members.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller stated that he participated in Evergreen Rural Water of Washington's training on workplace harassment. Commissioner Miller asked if there have been official discussions regarding the Dallesport Water system? Staff is aware of the situation but there have been no formal discussions. The Ponderosa community meeting went well. Brandon Walter has done a good job maintaining relationships with our customers.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles has been attending community meetings. It appears that everyone seems comfortable with the proposed water rates. There have been lots of questions regarding the net metering policy, and it has been very interesting that in almost all cases, after listening to an explanation, people

understand the reasons behind the change and the reasons make sense. John Day Pump Storage site visit is scheduled for May 15th.

GENERAL MANAGER – The complete report can be found at:

http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx

In addition to the written report, Mr. Smith presented the following information:

- Industrial Rate- A customer asked last meeting regarding our application of the industrial rate to their operation. That issue has since been resolved. However, that discussion prompted us to look at the load levels that qualify a customer for the Industrial rate. The way the Industrial rate reads now is a customer must have a load with 1 average MW and 2.5 MW peak. These numbers reflect historic industrial load shape. Looking forward, we would like to consider modifying these triggers to encourage flatter loads, which would benefit our system. Jim proposed changing the requirements of our rate schedule to read 2 average MW or 2.5 MW Peak. The question was asked if there were any issued consequences to existing industrial rate customers. Jim said it would not affect them. He noted though, that these numbers line up well with the load levels when we change from using large transformers to providing primary service with customers providing their own substations. This change would require a public rate hearing, but we could include that when we do the water / wastewater public rate hearing. Commissioner Knowles suggested that if we are comfortable with these triggers, we should implement this change. After discussion, Commissioners asked staff to bring back a rate proposal with word changes for review next meeting and also asked we call for a rate hearing for these changes during agenda item C.
- Letter of support for HR3144 - We have drafted a letter of support to Congress Woman Jaime Herrera Beutler for HR3144 after receiving a request from the Washington PUD Association. This is the bill that seeks to remove the control of the Biological Opinion on the Columbia River operations from the courts and place it in the control of legislators. Commissioner Knowles signed the letter of support.
- Brandy - Customer Service is continuing efforts to audit the accuracy of our billing systems. We recently discovered 7 waste water connections that are not currently being billed. We think there may be a half dozen more, but we are still investigating. These accounts don't have a record that they were ever connected. This is information as the back billing process may come to their attention.
- Lineman Appreciation Day/Safety meeting- Staff provided a breakfast for the safety meeting last week in conjunction with lineman appreciation day. We also had some positive response to a posting we provided on Facebook.

AGENDA ITEMS CONTINUED:

B. **RNG UPDATE** - Kevin provided an update of the project. We have been receiving equipment all week. There were a few days that the crew could not work due to wind and there are two loads that were stopped at the California/Oregon border. We hope the two remaining vessels will be on site next week. We are likely a couple weeks over schedule at this point. We received the sign off from the County on the pipeline road crossing and the draft permit from Ecology today. The mechanical contract has been issued. Jim Moss and Robbie were working with Athan and the contractor and the contract should be finalized tomorrow. The operators are going through required pipeline qualifications. Job descriptions are being updated as well and will be issued June 4th when we shut generation down. That will allow time for operators to be involved with project completion, commissioning and training. The schedule shows many of the tasks are 100% complete. Kevin provided a YouTube time-lapse video of the project to date.

C. **SET HEARING DATE- Water and Wastewater Rate and KPUD Electrical Rate Schedule 3A8 Industrial Service Hearing:** **MOTION** was made by Commissioner Gunkel to set the 2018 Water and Wastewater Rate Hearing and an electric Rate

Schedule 3A8 - Industrial Service Rate Hearing, for May 22, 2018 at 3:00 P.M., Pacific Time. Motion Carried.

D. CUSTOMER CONSERVATION LOAN- **MOTION** was made by Commissioner Gunkel to approve the Conservation Loan in the amount of \$7,709.17 for Fred and Nancy Loring for the installation of new windows.

ADJOURNMENT – There being no further business, the meeting adjourned at 4:31pm.

_____/S/
Randy L. Knowles, President

_____/S/
Dan G. Gunkel, Vice President

_____/S/
Douglas B. Miller, Secretary
Date Approved: May 8, 2018

_____/s/
Luann Mata, Executive Assistant